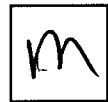


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-01049A
The Morenci Water and Electric Company
P.O. Box 68
Morenci, AZ 85540

RECEIVED

JUN 16 2006

AZ CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
----	----	------

FOR COMMISSION USE

ANN05	05
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entered
5-16-06
RF

Scanned
6-19-06
RF

COMPANY INFORMATION

Company Name (Business Name) THE MORENCI WATER & ELECTRIC COMPANY

Mailing Address P.O. BOX 68
(Street)

MORENCI

(City)

ARIZONA

(State)

85540

(Zip)

(928) 865 2229

Telephone No. (Include Area Code)

(928) 865 5261

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address dtrue@phelpsdodge.com

Local Office Mailing Address same as above
(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: D.L. TRUE SUPERINTENDENT
(Name) (Title)

P.O. BOX 68
(Street)

MORENCI
(City)

ARIZONA
(State)

85540
(Zip)

(928) 865 2229

Telephone No. (Include Area Code)

(928) 865 5261

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address dtrue@phelpsdodge.com

On Site Manager: same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Alexis D. Zerwas
(Name)
4521 US HIGHWAY 191 **MORENCI** **ARIZONA** **85540**
(Street) (City) (State) (Zip)
(928) 865 6252 **(928) 865 5261**
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: ROSKA HEYMAN & DEWULF
(Name)
400 East Van Buren Street Suite 800 **Phoenix** **AZ** **85540**
(Street) (City) (State) (Zip)
(602) 256 6100 **(602) 256 6800**
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input checked="" type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	151,165	0	151,165
304	Structures and Improvements	2,033,472	1,674,515	358,957
307	Wells and Springs			
311	Pumping Equipment	53,571	41,997	11,574
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,162,058	719,545	442,513
331	Transmission and Distribution Mains	663,008	501,626	161,382
333	Services	26,718	1,220	25,498
334	Meters and Meter Installations	81,292	11,363	69,929
335	Hydrants	427	108	319
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	45,418	45,418	0
340	Office Furniture and Equipment	91,149	40,993	50,156
341	Transportation Equipment	141,105	114,046	27,059
343	Tools, Shop and Garage Equipment	18,530	4,428	14,102
344	Laboratory Equipment	915	320	595
345	Power Operated Equipment	33,578	27,606	5,972
346	Communication Equipment			
347	Miscellaneous Equipment	25,446	24,162	1,284
348	Other Tangible Plant	205,597	7,371	198,226
	TOTALS	4,733,449	3,214,718	1,518,731

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	151,165	0%	NONE
304	Structures and Improvements	2,033,472	2.96%	60,259
307	Wells and Springs			
311	Pumping Equipment	53,571	3.97%	2,126
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,162,058	3.05%	35,477
331	Transmission and Distribution Mains	663,008	2.51%	16,649
333	Services	26,718	2.00%	534
334	Meters and Meter Installations	81,292	7.95%	6,461
335	Hydrants	427	10.07%	43
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	45,418	-	NONE
340	Office Furniture and Equipment	91,149	18.55%	16,908
341	Transportation Equipment	141,105	-12.35%	-17,427
343	Tools, Shop and Garage Equipment	18,530	20.00%	3,706
344	Laboratory Equipment	915	10.00%	92
345	Power Operated Equipment	33,578	11.86%	3,981
346	Communication Equipment			
347	Miscellaneous Equipment	25,446	.60%	154
348	Other Tangible Plant	205,597	2.36%	4,862
	TOTALS	4,733,449		133,825

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 726,315	\$ 1,110,039
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	436,339	304,572
146	Notes/Receivables from Associated Companies	7,233,841	9,359,296
151	Plant Material and Supplies	94,117	85,749
162	Prepayments	7,320	
174	Miscellaneous Current and Accrued Assets	1,440	3,882
	TOTAL CURRENT AND ACCRUED ASSETS	\$8,499,372	\$ 10,863,538
	FIXED ASSETS		
101	Utility Plant in Service	\$19,794,524	\$20,424,219
103	Property Held for Future Use		
105	Construction Work in Progress	0	175,113
108	Accumulated Depreciation – Utility Plant	(4,168,902)	(4,738,388)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$15,625,622	\$15,860,944
	TOTAL ASSETS	\$24,124,994	\$26,724,482

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 6,824,474	\$ 8,592,492
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	11,933,439	11,470,234
235	Customer Deposits	30,027	27,592
236	Accrued Taxes	148,816	185,199
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	283,437	352,834
	TOTAL CURRENT LIABILITIES	\$19,220,193	\$20,628,351
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$0	\$0
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$0	\$0
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	36,312	339,133
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax	1,993,572	2,057,157
	TOTAL DEFERRED CREDITS	\$ 2,029,884	\$ 2,396,290
	Other Deferred Credits	475,750	138,020
	TOTAL LIABILITIES	\$2,505,634	\$ 2,534,310
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 1,413,815	\$1,413,815
211	Paid in Capital in Excess of Par Value	0	
215	Retained Earnings	985,352	2,148,006
218	Proprietary Capital (Sole Props and Partnerships)	0	
	TOTAL CAPITAL	\$2,399,167	\$3,561,821
	TOTAL LIABILITIES AND CAPITAL	\$24,124,994	\$26,724,482

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$662,669	\$ 729,469
460	Unmetered Water Revenue		
474	Other Water Revenues	48,144	55,373
	TOTAL REVENUES	\$710,813	\$ 784,842
	OPERATING EXPENSES		
601	Salaries and Wages	\$312,870	\$ 426,239
610	Purchased Water	71,138	81,338
615	Purchased Power		39,728
618	Chemicals	83,485	103,425
620	Repairs and Maintenance	31,549	23,936
621	Office Supplies and Expense	33,778	31,676
630	Outside Services	136,055	181,473
635	Water Testing	5,840	4,341
641	Rents	3,548	3,870
650	Transportation Expenses	9,346	11,177
657	Insurance – General Liability	27,696	12,120
659	Insurance - Health and Life	146,915	153,726
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	(9,607)	8,993
403	Depreciation Expense	140,637	133,825
408	Taxes Other Than Income	0	243
408.11	Property Taxes	33,574	38,762
409	Income Tax	(135,222)	(180,677)
	TOTAL OPERATING EXPENSES	\$891,602	\$ 1,074,195
	Deferred Income Tax	14,591	(3,659)
	OPERATING INCOME/(LOSS)	\$(195,380)	\$ (285,694)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$(195,380)	\$ (285,694)
	NET INCOME/(LOSS)	\$(195,380)	\$ (285,694)

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ None

Meter Deposits Refunded During the Test Year

\$ None

COMPANY NAME THE MORENCI WATER AND ELECTRIC CO.

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-624-247	60	500	148'	20"	8"	1972
55-624-246	60	500	148'	20"	8"	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
PHELPS DODGE CORPORATION		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
50	2		
5	3		
1000	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
750,000	1	0	
500,000	4		
101,000	1		
228,000	1		
10,000	2		
5,000	1		
7,500	1		

COMPANY NAME THE MORENCI WATER AND ELECTRIC COMPANY

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Steel	19,440
3	Cement Asbestos	5,430
4	Cement Asbestos	34,760
5	None	
6	Cement Asbestos	32,955
8	Cement Asbestos	73,395
10	Cement Asbestos	13,090
12	Cement Asbestos	12,760
6	C 900 PVC	2,300

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	1,357
3/4	299
1	71
1 1/2	8
2	46
Comp. 3	8
Turbo 3	5
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	
Total	1,795

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2-CLARIFIER, 4 SAND FILTER, 2 CHLORINE UNITS

2 WELLS

STRUCTURES:

TREATMENT PLANT, PUMP STATION

OTHER:

COMPANY NAME: THE MORENCI WATER AND ELECTRIC CO.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	1,786	27,042,000	
FEBRUARY	1,875	24,331,000	
MARCH	1,811	28,399,000	
APRIL	1,815	37,359,000	
MAY	1,832	46,506,000	
JUNE	1,833	53,786,000	
JULY	1,839	58,773,000	
AUGUST	1,842	45,698,000	
SEPTEMBER	1,854	47,902,000	
OCTOBER	1,870	42,423,000	
NOVEMBER	1,865	35,529,000	
DECEMBER	1,869	33,571,000	
TOTAL		N/A	

481,319,000

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes (X) No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. 0.0032 mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME THE MORENCI WATER AND ELECTRIC CO. YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 58,582.19

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
NAME (OWNER OR OFFICIAL) TITLE
COMPANY NAME

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

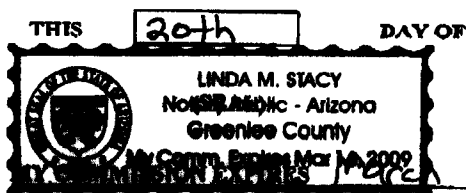
SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



[Signature]
SIGNATURE OF OWNER OR OFFICIAL
928-865-2229
TELEPHONE NUMBER

COUNTY NAME	Greenlee	
MONTH	June	2006

Linda M. Stacy
SIGNATURE OF NOTARY PUBLIC

16471

The attached check is in payment for items described above.

PAGE 1 of 1

NOT VALID AFTER 180 DAYS

AUTHORIZED SIGNATURE

****COPY****COPY****COPY****COPY****COPY****

16800

The attached check is in payment for items described above.

PAGE 1 of 1

16800

AMOUNT
*****\$37,735.18

NOT VALID AFTER 180 DAYS

AUTHORIZED SIGNATURE

****COPY****COPY****COPY****COPY****COPY****

PROPERTY TAXES

TAX ROLL	1ST HALF (due 11/01/04)	2ND HALF (due 5/01/05)	Total Tax Amount
5481	244.76	244.76	489.52
5483	3009.92	3009.92	6019.84
5485	3088.70	3088.70	6177.40
5487	1437.92	1437.92	2875.84
5424	1506.17	1506.17	3012.34
5425	2976.19	2976.19	5952.38
5426	6619.10	6619.10	13238.20
5427	1820.73	1820.73	3641.46
169	29.24		29.24
177	37.72		37.72
178	143.52	143.52	287.04
179	37.02		37.02
191	3.18		3.18
198	3.16		3.16
2529	9.78		9.78
2530	6.52		6.52
2533	4.10		4.10
2534	4.10		4.10
2535	4.10		4.10
2536	8.08		8.08
2537	12.20		12.20
2538	4.10		4.10
2539	8.08		8.08
2540	8.08		8.08
2541	16.18		16.18
2542	12.20		12.20
2545	36.44		36.44
2546	14.18		14.18
3181	0.12		0.12
3182	12.08		12.08
Totals:	21117.67	20847.01	41964.68

41964.68

CHK
16471

PROPERTY TAXES

TAX ROLL	1ST HALF (due 11/01/05)	2ND HALF (due 5/01/06)	Total Tax Amount
5469	3017.14	3017.14	6034.28
5471	1574.56	1574.56	3149.12
5470	4399.39	4399.39	8798.78
5468	1526.93	1526.93	3053.86
5526	15549.89	15549.89	31099.78
5528	4368.95	4368.95	8,737.90
5525	272.91	272.91	545.82
5531	1,367.60	1,367.60	2,735.20
5527	3271.03	3271.03	6542.06
5529	2045.83	2045.83	4091.66
186	117.03	117.03	234.06
2575	10.80		10.80
177	22.12		22.12
185	28.50		28.50
2576	3.64		3.64
3224	10.70		10.70
3223	0.12		0.12
2584	10.62		10.62
2583	32.28		32.28
2580	10.80		10.80
2579	14.34		14.34
2573	3.64		3.64
2577	7.16		7.16
187	27.98		27.98
199	2.42		2.42
2574	7.16		7.16
2572	3.64		3.64
2571	3.64		3.64
2568	5.78		5.78
2578	7.16		7.16
2567	8.64		8.64
206	2.78		2.78
Totals:	37735.18	37511.26	75246.44

CKH
16800

COMPANY NAME **THE MORENCI WATER AND ELECTRIC CO.** **YEAR ENDING 12/31/2005**

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported NONE
Estimated or Actual Federal Tax Liability NONE

State Taxable Income Reported NONE
Estimated or Actual State Tax Liability NONE

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances NONE
Amount of Gross-Up Tax Collected NONE
Total Grossed-Up Contributions/Advances NONE

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

D.L. True
SIGNATURE

5/15/06
DATE

D.L. TRUE
PRINTED NAME

SUPERINTENDENT
TITLE

water

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

MAY 01 2006

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

AZ CORP COMM
Director Utilities

COUNTY OF (COUNTY NAME)	GREENLEE
NAME (OWNER OR OFFICIAL) TITLE	D.L. TRUE / SUPERINTENDENT
COMPANY NAME	THE MORENCI WATER AND ELECTRIC CO.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 844,987

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 60,145
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

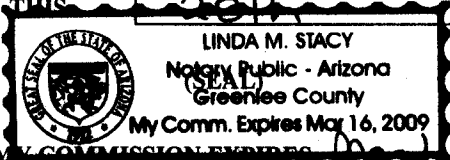
D.L. True
SIGNATURE OF OWNER OR OFFICIAL

(928) 865-2229
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

COUNTY NAME	<u>Greenlee</u>
MONTH	<u>April</u>
	<u>2006</u>

THIS 20th DAY OF

My Commission Expires March 16, 2009

Linda M. Stacy
SIGNATURE OF NOTARY PUBLIC

water

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED

MAY 01 2006

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 482,568

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 27,744
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

D.L. True

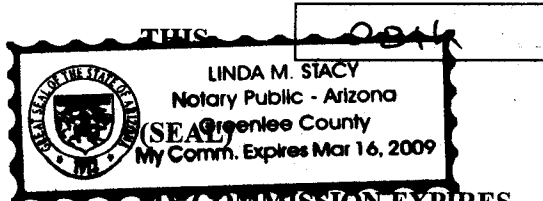
SIGNATURE OF OWNER OR OFFICIAL

(928) 865-2229

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



MY COMMISSION EXPIRES

March 16, 2009

NOTARY PUBLIC NAME

Linda M. Stacy

COUNTY NAME

Greenlee

MONTH

April

2006

X

Linda M. Stacy

SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2005) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

The Morenci Water & Electric Co.

P.O. Box 68
Morenci, AZ 85540
Telephone (928) 865-2229
Facsimile (928) 865-5261

RECEIVED

JUN 16 2006

**AZ CORP COMM
Director Utilities**

June 14, 2006

Compliance Section
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

RE: 2005 Water Utilities Annual Report

To Whom It May Concern:

Enclosed please find a copy of The Morenci Water and Electric Co. Annual Report for the calendar year ended December 31, 2005.

Sincerely,



K. Roxanne Boling

Accountant

KRB: krb

Enclosures

xc: Larry Corte, Phoenix Legal w/o enclosures

A. D. Zerwas, Treasurer w/o enclosures

File: Financial\Letters